

USAID/Senegal

Annual Report

FY 2005

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Related document information can be obtained from:
USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910
Telephone: (301) 562-0641
Fax: (301) 588-7787
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

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Senegal

Performance:

Background: Senegal has progressed significantly in the past decade both politically and economically. It is one of the top performers among countries achieving eligibility status to the Millennium Challenge Account (MCA). This is due primarily to its strong commitment to ruling justly, investing in people, and promoting economic freedom. The country's longstanding democratic tradition and stability, however, have not translated into a better living standard for many of its 10 million people. The country faces severe challenges: nationwide, 50% of young men have no jobs, 70% of women over 15 years are illiterate, and 70% of the countryside has no electricity. Population growth has averaged 2.6% while economic growth has averaged only 5% per year -- not enough to provide jobs for a rapidly growing, young population. Social indicators are improving due to substantial government and donor investment in education, health, and other social services. As a result of agreements reached under the Highly Indebted Poor Country (HIPC) program, the Government of Senegal (GOS) is now devoting 40% of its budget to education (up from 33% in 2003) and 10% to health. While economic growth has picked up (estimated at 6.5% in 2004), it has not yet had sufficient impact on alleviating overall poverty. The percentage of persons living in poverty in 2001 was 57.1%. The GOS is committed to reducing the incidence of poverty to 50% by 2015. Poverty reduction on this scale, however, will require achieving annual growth rates of at least 8%.

Senegal urgently needs growth, jobs, and the capacity to produce and manufacture goods rather than just trade them. In the social sectors, Senegal has increased the gross access ratio to the first grade of primary school from 72.36% in 1996 to 85.1% in 2003. Vaccination rates have increased to 70% after a precipitous drop in the late 1990s due to reduced donor funding. Good leadership, early policy dialogue, and social mobilization have helped Senegal contain the spread of HIV/AIDS, with prevalence currently at 1.4% of the population. However, the Mission is concerned about the high estimated prevalence rate among registered commercial sex workers (20.9%) and the rapid increase among young pregnant women aged 15 to 24 (0.74% in 2002, 1.26% in 2003).

U.S. Interests and Goals: Senegal is a democratic and predominately Muslim nation committed to fighting terrorism. Senegal is an important partner of the United States because it has thus far found a way to ensure social stability and lasting religious tolerance without violence and repression. Its longstanding democratic tradition has made it one of the most stable countries in West Africa. Because of its democratic stability, international influence, moderate Islam, and religious tolerance (a rare combination in the world today), Senegal is one of the few countries in Africa that is seen as part of the solution rather than part of the problem in confronting the challenges of regional stability and the war on terrorism. Senegal is still fragile, however, and will continue to need substantial assistance to resolve the conflict in the Casamance, cope with natural disasters, and create a sustainable growth dynamic that effectively attacks poverty and strengthens and deepens democracy, thereby safeguarding stability. It is in the United States' interest to continue a robust USAID program that tackles the problems of poverty and fosters a peaceful environment in the Casamance so that an economically strong and stable Senegal could exert its influence on the rest of West Africa.

Donor Relations: Donor collaboration and information exchange are excellent. Overall donor coordination is led by the World Bank and the United Nations Development Program (UNDP). Numerous sectoral committees such as the Private Sector Working Group (coordinated by USAID) allow donors to share information and lessons learned and explore new opportunities for collaboration. Direct development assistance to Senegal in 2002 was estimated at \$320 million (9.5% of GDP). More than half of total development assistance was provided by the World Bank/IDA (22%), France (19%) and Japan (11%). The United States provided \$30.6 million, or approximately 9% of development assistance. USAID is

among the top three donors in aggregated spending (93% disbursement rate in 2004). Senegal reached the HIPC initiative completion point in 2004. This will result in the cancellation of \$850 million in sovereign debt payments over the next 10 years.

Challenges: The most immediate tasks facing Senegal are implementing reforms needed for accelerated economic growth and building transparent and accountable political, civil, and economic institutions. The GOS appears to be less than fully committed to rigorously implementing reforms intended to increase budget monitoring and transparency. This is especially apparent in the persistence of high levels of non-competitive procurement. After a recent International Monetary Fund (IMF) visit, the GOS agreed to reduce the level of non-competitive contracts to 15% from its current level of 30%. The lack of budget resources allocated to local levels continues to call into question the government's commitment to decentralization. A democracy and governance (DG) assessment conducted earlier this year concluded that "strengthening local government requires empowering local civil society ... to bring pressure to bear from below on the national level institutions to transfer more state resources to local governments." There is new momentum among donors to develop a common agenda to prod the government to take action in these areas.

A major unexpected challenge for Senegal in FY 2004 was the arrival of locust swarms. USAID/Senegal and the Office of U.S. Foreign Disaster Assistance (OFDA) worked closely together to design and implement a highly effective, \$7.2 million dollar program in the course of just three months. Numerous offices across the Mission dedicated considerable time and effort to getting USAID's locust response off the ground. Much more work will need to be done in 2005 to counter potentially larger infestations.

In response to a request from USAID/W, USAID/Senegal completed three studies over the past year related to the MCA. The final study was completed in September 2004 and assessed constraints to Senegal's absorptive capacity, and the challenge of aid management by the GOS. The study concluded that given the lack of transparency in GOS procurement procedures and the limited financial capacity at technical ministries, the GOS would need to identify alternative mechanisms to ensure that MCA activities are implemented in a timely and transparent way. In the course of the study it was revealed that USAID/Senegal had a disbursement rate in 2003 of 87%, which was the highest of any donor cited in the study. USAID also completed a study on public-private partnerships (PPPs) in Senegal and presented major finding and recommendations to the Prime Minister as well as the GOS MCA Task Force.

A formal peace accord and end to the Casamance rebellion is relatively close but still out of reach. There is a stalemate of sorts whereby neither the rebels in the Casamance (Mouvement des Forces Démocratiques de la Casamance, MFDC) nor the GOS are pushing forward or retreating. With a divided MFDC, it is difficult to envision a peace process whereby an accord is negotiated because there is no single, unified negotiating entity that represents the MFDC. Overtures have been made by the GOS in a piecemeal manner, but little has resulted. USAID's approach to addressing this challenge is two fold. First, it has awarded a contract to a US NGO to conduct workshops to strengthen negotiating skills for government representatives, community members and rebels. Second, the American Ambassador has been closely monitoring developments in the Casamance and the Mission is working closely with him to encourage the parties to negotiate.

The continued weakening of the dollar over the past two years (a decline of 27%) has reduced the impact of all USAID projects. USAID actively worked with partners to identify economies of scale and focus on the highest impact activities, but some planned activities (and their associated results) have had to be scaled back due to the erosion in the exchange rate. This year, two of the Mission core contracts in DG and private sector development were closed down early as a result of funding shortfalls.

Key Achievements: The USAID program has produced solid results over the past year and is often on the cutting edge of development practice. The U. S. Mission has been a catalyst in efforts to increase government transparency and accountability. USAID played a pivotal role in dialogue between the GOS and donors on the HIPC program. As part of the MCA studies, USAID led the call for a rigorous assessment of transparency and accountability in public finance and public procurement and the private sector. The U.S. Mission has also provided leadership in promoting Public Private Partnerships (PPPs).

USAID/Senegal is helping draft and put in place laws and regulations to promote PPP. Through the USAID-financed Investor's Roadmap Study and policy reform program, barriers to business creation and the number and duration of steps needed for general and operational formalities have been reduced. USAID's private sector SO as well as the MCA Jumpstart exercise, Global Development Alliance, and Digital Freedom Initiative are pioneering new models of development in Senegal and leveraging resources from private businesses, other donors and foundations to scale up effective approaches. USAID/Senegal is also pioneering a program to link HIV/AIDS, and education interventions at the field level to mitigate the impact of HIV on youth and the national education system. The Mission has worked hard to increase synergy across programs particularly in the area of democracy and governance. As a result, the health and education programs have progressed at a much faster pace because local governments and citizens understand their roles and responsibilities in the context of decentralization.

Private Sector Development: This program supports efforts to strengthen private enterprise development by promoting national policies that encourage growth and increasing access to loans for small entrepreneurs while providing them with business development services (BDS). This year, 52 USAID-supported microfinance institutions (MFIs) provided 85.8% of the microfinance loans nationwide. Over 21,000 female entrepreneurs benefited from these loans. Saving deposits grew more than 300%, while the number of loans more than doubled. A total of 1,094 people paid for training in business management and income generating skills, vastly exceeding the target of 600. In FY 2004, USAID increased its involvement in agricultural-related, income-generating activities, particularly in natural products such as banana, cashew, gum arabic, and hibiscus.

Democratic Local Governance: The goal of this program is to create effective local governments that use natural, financial, and human resources, to provide quality services to their citizens. This year, as in previous years, the program demonstrated the potential for local governments and citizens to work together to improve service delivery and management of natural resources. During the reporting period, DG activities contributed to important improvements in 109 local governments (i.e., 27% of Senegal's local governments). Approximately 57% of local governments followed proper budget processes and executed planned priorities activities with their own resources or incentive funds from USAID. Seventy-three percent of local governments increased locally collected revenue in 2004. In an environment where local governments receive very little funding from the central government, locally-generated resources are critical to local governments' ability to provide basic services. A total of 293 community-based organizations in 37 localities were engaged by the local government to participate in the planning and construction of infrastructure and management of services such as potable water supply, schools, health posts, and sanitation facilities. As a result of a USAID activity promoting women's leadership, women's participation in local affairs has increased and is influencing how local resources are invested.

Agriculture and Natural Resources Management (AG/NRM): The AG/NRM program works with local governments to increase their authority to manage forest resources by implementing the decentralization law that transfers resource management responsibility to local communities. The program has developed protocols with central government to affect this transfer for 128,000 hectares of community and protected forests. To this end, the Wula Nafaa program has worked with eight rural communities to develop local conventions and by-laws that provide the legal basis for transferring management rights of these forests. This is a significant advance in local resource rights as it clearly identifies locally agreed upon management standards designed to ensure sustainability. It also ensures exclusive access to non-timber products by the local communities. Wula Nafaa has engaged 470 villages and provided training to increase the productivity and regeneration of resources coming from these forests.

Decentralized Quality Health: USAID's health program seeks to empower local communities to plan and finance health services, reduce the number of women who die from pregnancy, reduce the number of children who die from preventable diseases and keep HIV prevalence low. This year's program helped 150 local communities develop health plans and budgets, raise local funds to refurbish health facilities, and improve service quality. In 21 health districts in these communities, critical information and services targeted 27,000 women and children. Senegal's health system, however, continues to suffer from relatively weak leadership and funding on the part of the central government.

USAID is the predominant donor in the health sector in Senegal, taking a respected leadership role in the supply of contraceptives and the promotion and delivery of family planning services. Population growth still represents a significant problem in Senegal, and at present rates (3%), the country's population doubles every 25 years. HIV/AIDS prevention and operations research activities targeted at high-risk populations complement USAID's highly successful family planning and condom promotion program. HIV/AIDS prevalence among pregnant women is still relatively low (1.5%). However, the 20.9% prevalence rate among commercial sex workers could result in a dramatic increase in infection rates if not effectively controlled. Together with the GOS, USAID has spearheaded a nationwide program to establish voluntary counseling and testing centers in each region. Over the past year, four additional VCT centers were opened, bringing the total to nine.

In 2004, as a result of USAID-supported malaria surveillance, malaria research and dialogue, the Ministry of Health adopted a new policy for more effective prevention and treatment of malaria, a major killer of women and children in Senegal. A combination therapy for the treatment of malaria was implemented in all public health facilities as well as in some community health huts. More than 318,500 insecticide-treated bed nets were sold in a nationwide social marketing program.

Girls' Education: USAID support in the education sector focuses on increasing the number of children who are able to enter and complete middle school by increasing the physical capacity of the system, improving the teaching and learning environment, and involving local governments and communities in education management and financing. The program made excellent progress during its first year of implementation. Extensive information and training were provided to a total of 2,847 local officials, school management committee members, teachers, and school directors from target communities. This resulted in stronger commitment and a sense of ownership by local communities, teachers, and locally elected government officials for the development of their middle schools. Counterpart contributions were outstanding: the participating local communities provided in-kind contributions to the school construction program in the form of land, labor, sand, water, and electricity. These contributions exceeded 10% of the total construction costs.

Conflict Resolution in the Casamance: The aim of this program is to create conditions for peace in the Casamance region by working with civil society and local government partners in a wide range of peace-building, income-generation, and conflict mitigation activities designed to improve the everyday lives of women, youth, children and internally displaced people affected by the conflict. The impact of USAID's program on contributing to peace in the region is anecdotally supported. There have been only two violent confrontations between the MFDC and the GOS over the past year, while approximately 5,150 refugees have returned (as compared to 619 in 2002 and 3,647 in 2003.) The latter is a clear indication that people feel it is safer than before, and that peace has started to take root. Donor-funded programs have undoubtedly contributed to stabilizing the region. The 14 grants that USAID awarded under this program have supported a variety of direct and indirect peace-building activities including reconstruction of housing and community infrastructure, microfinance services, and support to landmine victims. Under a grant to World Education that ended in June 2004, microprojects in 100 villages were financed to generate income for recent returnees.

Public-private alliances: USAID has successfully developed public-private alliances that leverage additional resources and respond to host countries priorities. Senegal was chosen as the global pilot for the Digital Freedom Initiative (DFI), a program that aims to employ information technology solutions to increase growth and productivity of small businesses in Senegal.

Results Framework

685-001 Sustainable Increases in Private Sector Income Generating Activities in Selected Sectors

SO Level Indicator(s):

- Number of registered small and medium enterprises (SMEs)
- Ratio of USAID-supported Microfinance Institutions(MFIs) loans to total MFI loans nationwide

- 1.1** Trade and investment policy environment strengthened
- 1.2** Improved access to financial services
- 1.3** Increased use of best technical and management practices
- 1.4** Increased commercialization of non-traditional agricultural and natural products

685-002 Improved Local Delivery of Services and Sustainable Use of Resources in Targeted Areas

SO Level Indicator(s):

Percentage of citizens in Local Government (LG) Units (Rural Communities and Communes) in SO2 zones of intervention who report satisfaction with the quality of services delivered by their LGs

Percentage of citizens in Local Government (LG) Units (Rural Communities and Communes) in SO2 zones of interventions who report satisfaction with the management of public services and resources

- 2.1** Increased capacity of local level institutions
- 2.2** Increased access to financial resources
- 2.3** Improved basic skills of the population
- 2.4** More effective policies and regulations related to decentralized services

685-003 Increased Use of Decentralized Health Services in Targeted Areas

SO Level Indicator(s):

- Couple years of protection (CYP)
- Number of persons using the services of voluntary counseling and testing (VCT) centers

- 3.1** Improved access to quality reproductive health services
- 3.2** Increased demand for quality reproductive health services
- 3.3** Increased financing of health services from internal sources

685-008 Increased Girls' Access and Retention in Targeted Primary and Vocational Schools

SO Level Indicator(s):

- Grade to grade promotion rate of girls enrolled in targeted elementary schools
- Percentage of girls enrolled in targeted vocational training centers for the first time
- Percentage of school age girls enrolled in grade 1 for the first time

8.1 Increased support of parents and Local Governments to primary and vocational schools in targeted areas.

- 8.2** Improved environment in targeted primary schools
- 8.3** Improved environment in targeted vocational training centers

685-009 Improved Enabling Conditions for Peace via Economic, Social and Political Development

SO Level Indicator(s):

- Number of spontaneous returnees
- Number of USAID SOs and SPOs returning to the Casamance
- Number of violent clashes or attacks

- 9.1** Improved standards of living for affected populations
- 9.2** Increased self-reliance for local development actors
- 9.3** Improved conditions for local level conflict resolution

685-010 Increased Access to and Improved Quality of Middle School Basic Education, especially for Girls

SO Level Indicator(s):

Final exam success rate

Transition rate (from grade 6 to grade 7)

10.1 Increased capacity of middle schools

10.2 Improve teaching and learning environment in middle schools

10.3 Increased participation of Local Governments and communities in education management and financing

685-011 Accelerated Growth

685-012 Quality health II

685-013 Agriculture Natural Resources Management

685-014 Democracy and Governance II

685-FFP Regional Food Security and Emergency Food Aid